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By: **Senators Kelley and Gladden**

Introduced and read first time: January 25, 2006

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Loans and Advances Made to Stock Insurers and Mutual**  
 3 **Insurers**

4 FOR the purpose of repealing a certain limitation on the interest allowed on a certain  
 5 loan or advance made to a stock insurer; providing that payment of a certain  
 6 loan or advance and any interest on it made to a stock insurer is subject to the  
 7 approval of the Maryland Insurance Commissioner; providing that a certain  
 8 loan or advance and any interest on it made to a mutual insurer is payable only  
 9 out of the surplus remaining after the mutual insurer provides for certain  
 10 reserves and other liabilities; reorganizing certain provisions of law relating to  
 11 mutual insurers; and generally relating to loans and advances made to stock  
 12 insurers and mutual insurers.

13 BY repealing and reenacting, with amendments,  
 14 Article - Insurance  
 15 Section 3-116  
 16 Annotated Code of Maryland  
 17 (2003 Replacement Volume and 2005 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article - Insurance**

21 3-116.

22 (a) (1) [(i)] A director, officer, or member of a stock insurer OR MUTUAL  
 23 INSURER or any other person may lend or advance to the stock insurer OR MUTUAL  
 24 INSURER any money necessary to enable it to comply with a surplus requirement or  
 25 any other requirement of law.

26 [(ii)] Interest on the loan or advance to a stock insurer may not  
 27 exceed 6% per year.]

28 (2) A loan or advance under this subsection and any interest on it:

1 (i) SUBJECT TO THE APPROVAL OF THE COMMISSIONER, is payable  
2 only out of the surplus remaining after the stock insurer OR MUTUAL INSURER  
3 provides for all reserves and other liabilities; and

4 (ii) is not otherwise a liability or claim against the stock insurer OR  
5 MUTUAL INSURER or any of its assets.

6 (b) [(1) A director, officer, or member of a mutual insurer or any other person  
7 may lend or advance to the mutual insurer any money necessary to enable it to  
8 comply with a surplus requirement or any other requirement of law.

9 (2) Subject to the approval of the Commissioner, a loan or advance under  
10 this subsection and any interest on it as may have been agreed on is payable only out  
11 of the insurer's realized earned surplus in excess of its minimum required surplus.

12 (3) A loan or advance under this subsection is not otherwise a liability or  
13 claim against the mutual insurer or any of its assets.

14 (c)] In each annual statement, a stock insurer or mutual insurer shall report  
15 the amount of each loan or advance made under this section.

16 [(d)] (C) If a loan or advance is made to a stock insurer or mutual insurer  
17 under a notice of deficiency made by the Commissioner under § 3-109 of this subtitle,  
18 the loan or advance may not be repaid or withdrawn without the express written  
19 consent of the Commissioner.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21 October 1, 2006.